MINNESOTA DEPARTMENT OF COMMERCE

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July 2, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-14-365

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

2013 *Annual Service Quality Report* (Report) submitted by Minnesota Energy Resources Corporation (MERC or Company).

The 2013 *Annual Service Quality Report* was filed on May 1, 2014 by:

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Based on its review of MERC's 2013 *Annual Service Quality Report*, the Department recommends that the Commission **accept** the Company's Report pending MERC's response to various inquiries and the provision of additional information in *Reply Comments*. The Department's recommendations are listed at the conclusion of its *Comments*.

The Department in available to answer any questions that the Commission may have.

Sincerely,

/s/ SACHIN SHAH
Rates Analyst
651-539-1834

SS/lt

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. G004/M-14-365

I. BACKGROUND

The genesis of Minnesota Energy Resources Corporation's (MERC or Company) *Annual Service Quality Report* comes from the Minnesota Public Utilities Commission's (Commission) March 1, 2004 *Order* in Docket No. G007,011/CI-02-1369 (02-1369 Docket). In this *Order*, the Commission required Aquila, Inc. (MERC's predecessor) to file quarterly service quality updates in that docket and requested that the Minnesota Department of Commerce (Department), file its comments reviewing the Company's service quality reports by February 28th of each year. Aquila/MERC filed quarterly service quality reports in the 02-1369 Docket, and subsequent dockets,[1] through calendar year 2009.

On April 16, 2009, the Commission opened an investigation into natural gas service quality standards and requested comments from the Department and all Minnesota regulated natural gas utilities in Docket No. G999/CI-09-409 (Docket 09-409). Various rounds of comments and discussion occurred in this docket and the issues came before the Commission on August 5, 2010. In its August 26, 2010 *Order* (09-409 *Order*) in Docket 09-409, the Commission established uniform reporting requirements that Minnesota regulated natural gas utilities are to follow and a list of information that should be provided by each utility in a miscellaneous tariff filing to be made each May 1st reflecting service quality performance during the prior calendar year. The Commission determined that MERC would file subsequent annual service quality reports in lieu of the former quarterly service quality reports.

The Commission supplemented the reporting requirements set out in its 09-409 *Order* with additional requirements in its March 6, 2012 *Order—Accepting Reports and Setting Further Requirements* in Docket No. G007,011/10-374, *et. al*. This March 6, 2012 *Order* also directed the Minnesota natural gas utilities to convene a workgroup to improve reporting

[1] Docket Nos. G007,011M-07-1641 and G007,011/M-09-488.

consistency and address other issues. The workgroup[2] met on June 22, 2012 and developed more uniform reporting.[3] Reporting changes as a result of the workgroup consensus are noted in the analysis below.

MERC filed its first annual service quality report in compliance with the 09-409 *Order* on May 2, 2011 in Docket No. G007,011/M-10-374 (Docket 10-374). MERC filed its second annual service quality report in compliance with the 09-409 *Order* on May 1, 2012 in Docket No. G007,011/M-12-436 (12-436 Docket). MERC filed its third annual service quality report in compliance with the 09-409 *Order* on May 1, 2013 in Docket No. G007,011/M-13-355 (13-355 Docket).

On May 1, 2014, MERC filed its calendar year 2013 *Annual Service Quality Report* (Report). The Department provides its analysis below.

II. THE DEPARTMENT'S ANALYSIS

A. CALL CENTER RESPONSE TIME

The Commission required each utility to provide in its annual service quality report call center response time in terms of the percentage of calls answered within 20 seconds. The Department notes that Minnesota Rules, part 7826.1200 requires Minnesota's electric utilities to answer 80 percent of calls made to the business office during regular business hours within 20 seconds.

In its Report, MERC provided the required information on a monthly basis for 2013. The 2013 Report is the second report in which MERC included calls received by the Company's Interactive Voice Response (IVR) system. However, the information filed by MERC is the same as that filed in its 2012 *Annual Service Quality Report* (2012 Report). The Department recommends that MERC provide an updated Attachment 1 in its *Reply Comments*. The Department will provide its analysis in response to the Company's *Reply Comments*.

B. METER READING PERFORMANCE

In its 09-409 *Order*, the Commission required each utility to report meter reading performance data in the same manner as prescribed in Minnesota Rule 7826.1400. Specific to MERC, the Commission also required that the Company provide meter reading statistics related to farm tap customers. The Company provided, as an attachment to its

[2] Participating in the workgroup were Xcel Energy, CenterPoint Energy, MERC, Great Plains, Interstate Power and Light, and the Department.
[3] See Attachments 1 and 2 in the Department's June 27, 2013 *Comments* in Docket No. G007,011/M-13-355 for the matrix summarizing each utility's reporting content for each metric and a workgroup agenda.

Report, the meter reading performance data per Minnesota Rules both with and without farm tap data included. The Department notes that MERC has a large percentage of farm tap customers. These customers are required to self-read their meters, and to allow MERC to read the meters annually.

Based on the Company's information, the vast majority of MERC's customers (approximately 96 percent) have their meters read by MERC employees. MERC also included data regarding the number of meters that have not been read for 6-12 months and those that have not been read in over 12 months. When excluding farm tap customers, only 37 meters, out of a total of over 2.57 million meters, had not been read between 6-12 months. This represents a slight increase in meters not read in 6-12 months compared to the 2012 figure of 16 meters unread in 6-12 months. However, this figure is significantly improved compared to the 2010 figures where 71 meters had not been read in 6-12 months.

MERC reported that, in 2013, 69 meters had not been read in over 12 months. This also represents an increase in in meters not read in over 12 months compared to the 2012 figure of 0 meters unread in over 12 months and almost double the 2010 figure of 38 meters unread in over 12 months. The differences between 2013 and 2012 meter reading data are not substantively different although there is slight decrease of approximately 2 percent in the numbers of meters read by MERC employees and a corresponding increase in the number of customer reads/estimates. The Company indicated that accessibility and dog issues were the primary reasons why meters were not read. When farm taps are included in the reporting metrics, the number of unread meters increases; however, it is important to note that the absolute number of meters not read for an extended period of time is still quite small.

MERC's Report represents the fourth report where these data is available, which means the Company's 2013 performance can be compared to 2012, 2011 and 2010 figures, however significant trends cannot yet be discerned. When excluding farm taps, given the improvements made after 2010, the Department believes that MERC's 2013 performance is reasonable.

In terms of farm tap customers, the Department notes that the number of unread meters decreased significantly between 2010 and 2011, increased slightly from 2011 to 2012[4], and decreased from 2012 to 2013 by over 1,000 meters. There was a large increase in meters not read for 6-12 months at the end of 2013 but according to MERC's October 7, 2011 Reply Comments in Docket 10-374 and mentioned above, the Company is not obligated to perform monthly meter reads for farm tap customers but does perform one meter read per year for each of these customers. For example, in 2012 MERC performed them earlier in the year as explained in its July 8 2013 Reply Comments in 13-355 Docket.

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[4] The number of meters not read in 6-12 months in 2012 increased by less than 300 meters, or by 0.01 percent.

Finally, the Company reported that the average number of meter reading staff employed by MERC decreased, on average, by approximately 2 Full Time Equivalent employees (FTE's) in 2013 compared to 2012.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

C. *INVOLUNTARY SERVICE DISCONNECTIONS*

The Commission's 09-409 *Order* requires each Minnesota regulated gas utility to provide involuntary service disconnection data in the same manner that it reports these data under Minnesota Statutes §§ 216B.091 and 216B.096 which relate to the Cold Weather Rule. The Company provided these data in an Attachment to its Report. Through the workgroup process, MERC agreed to include a summary of its Cold Weather Rule reports, attached to their Report as Attachment C

According to MERC's Report, disconnection levels were higher at the beginning of calendar year 2013 than at the end of the year and reached their peak during the spring and summer of 2013 (roughly coinciding with the end of the Cold Weather Rule period). The Company's Report indicated that, on average, over 17 percent of total residential accounts were past due for the year; at some points, almost 20 percent or more of total accounts were past due. Table 1 summarizes MERC's involuntary disconnection statistics.

Table 1: Involuntary Service Disconnection Information

	Customers Receiving Disconnect Notice	Customers Seeking CWR Protection*	Customers Granted CWR Protection*	% Granted	Customers Disconnected Involuntarily	Customers Restored within 24 Hours	% Restored within 24 hours
2011	62,880	4,678	4,678	100%	7534	3907	51.86
2012	55,611	5,407	5,407	100%	6358	5749	90.42
2012	71,491	6,058	6,058	100%	8484	6901	81.34

**Residential customers only*

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

D. *SERVICE EXTENSION REQUESTS*

In its 09-409 Order, the Commission required that each utility provide in its annual Report service extension request information in the same manner as detailed in Minnesota Rule 7826.1600, items A and B, except for information already provided in Minnesota Statutes

§§ 216B.091 and 216B.096, subd. 11. The Company provided, as an attachment to its Report, the required service extension request data.

Based on the Department's review of these data, it appears that MERC's service extension request response times to new residential customers have increased by an average of over 3 days per request between 2012 and 2013 and decreased by an average of approximately 5 days per request over 2011 levels. Response times to commercial service extension requests increased by 6 days from 2013 to 2012 after decreasing by approximately 1 day from 2011 to 2012. The Department also observed an average wait time of 81 days for commercial requests in September. In its October 7, 2011 Reply Comments in Docket 10-374, the Company stated that the average length of time between request and installation may be artificially high because a builder may request service from MERC many days before the building is ready for gas meter installation. The Department notes that Minnesota Rule 7826.1600 requires that the response time be measured from when the date service is requested or the date at which the customer is ready to accept service and the date the service was provided.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

E. CUSTOMER DEPOSITS

In its 09-409 Order, the Commission required that each utility provide in its annual report data on customer deposits required for extension of service as detailed in Minnesota Rules part 7826.1900. MERC reported that 16 customers were required to make deposits in 2013, all due to diversion (theft). This is less than were required in 2010 (29), and 2012 (23), and the same as held in 2011 (16). As of the end of 2013, MERC held 625 deposits compared to 695 deposits that were held prior to 2013. The 625 deposits held at the end of 2013 represent 0.02 percent of active meters on the Company's system, and a decrease from the 695 deposits held at the end of 2011. The Department concludes that the number of deposits held by MERC appears to be reasonable.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

F. CUSTOMER COMPLAINTS

The Commission's 09-409 *Order* requires Minnesota gas utilities to provide customer complaint data in the same manner as prescribed in Minnesota Rule 7826.2000. The Company provided, as an attachment to its Report, these customer complaint data. This is the fourth year that MERC has reported customer complaints in the manner prescribed by Minnesota Rule 7826.2000, which allows for comparison with 2010, 2011 and 2012 information. Prior to 2010, the Company tracked and reported customer complaints via its own two-tier system.

MERC reported a total of 1,753 complaints received in 2013. This represents a decrease in total complaints of 151, or approximately 8 percent, from 2012, a decrease in total complaints of 1,504, or approximately 46 percent from 2011, and a decrease of 787, or approximately 31 percent, from 2010, the first year the reporting requirement was implemented. The Department notes that MERC's data indicates that there were 215 complaints received in the month of July, however, the same data presented in terms of speed of resolution adds up to only 116 complaints. The Department requests that MERC reconcile, in its *Reply Comments*, this data discrepancy.

To facilitate long-term tracking and cross checking of customer complaint data, the utilities participating in the workgroup agreed to begin providing a copy of the May 1 customer complaint report required by Minnesota Rule 7820.0500 in their annual service quality report beginning with the 2013 report. A copy of the May 1, 2013 report was not included in MERC's Report, nor was there a reference to where the information could be found. The Department located MERC's Minnesota Rule 7820.0500 report in Docket No. E,G999/PR-14-13 (14-13 Docket). As noted above, the Company's Attachment 5 shows total complaints of 1,753 which is not consistent with the total complaint figure reported by the Company in the 14-13 Docket, which shows a total number of 1,868 complaints. The Department notes that there was a similar discrepancy between the two reports for 2012.

The Department requests that the Company provide, in its *Reply Comments*, a full reconciliation and explanation of why the complaints reported for 2012 and 2013, in the 13-355 and current docket in Attachment 5, are different from the complaints submitted by MERC on May 1st pursuant to Minnesota Rule 7820.0500.

Finally, there were 25 complaints forwarded to MERC by the Commission's Consumer Affairs Office (CAO) in 2013. This is 10 more than were forwarded in 2012. The Department will continue to monitor the number of complaints forwarded to MERC by the CAO for any definitive trends.

G. GAS EMERGENCY LINE ANSWER TIMES

In its 09-409 *Order*, the Commission required that Minnesota regulated natural gas utilities collect gas emergency phone line data. MERC provided these data in an attachment to its Report. Specifically, the Company provided data related to the total number of calls, the average telephone answer time, and the percentage of calls that were answered within 15 seconds (MERC's internal goal). The Department notes that this is the fourth year that the Company has reported these data in its annual service quality report.

According to the information provided by MERC, there were a total of 17,341 emergency phone calls during 2013, averaging approximately 1,445 per month which is the same as that reported in 2012. The Department recommends that the Company provide, in its *Reply Comments*, an updated Attachment 6 reflecting 2013 data. The Department will provide its analysis in response to the Company's *Reply Comments*.

H. MISLOCATES

The Commission's 09-409 *Order* requires Minnesota natural gas utilities to provide data on mislocates, including the number of times a line is damaged due to a mismarked line or failure to mark a line. MERC provided the number of mislocates, by month, in an attachment to its Report. This is the fourth year that the Company has reported these data in its annual service quality report.

MERC's Report indicated that there were 11 mislocates in 2013 out of a total of 76,519 locates resulting in an approximately 0.014 percent mislocate rate, compared to 24 mislocates in 2012 out of a total of 70,996 locates, resulting in an approximately 0.034 percent mislocate rate. Alternatively, this equates to a rate of 0.14 per 1,000 locate requests in 2013.

Further, the maximum number of mislocates that occurred in a given month were 4, which occurred in June. The number of mislocates in 2013 is similar to and lower than the numbers of mislocates that were reported in 2011 and 2010 (12 and 21, respectively). While the number of mislocates over the past four years appears to be quite low; the data series is too limited to draw any conclusions regarding any performance trend. The Department requests that MERC continue their effort to minimize mislocates.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

I. DAMAGED GAS LINES

The Commission's 09-409 *Order* requires Minnesota regulated gas utilities to provide data on damaged gas lines, including the number of lines damaged by Company employees or contractors, the total number of other damage events, and the number of events that were unplanned in nature. Table 2 summarizes MERC's damaged gas lines information.

Table 2: Damaged Gas Lines

	Damage by MERC	Damage by Others	Total Damage
2010	6	171	177
2011	21	191	212
2012	32	142	174
2013	9	147	156

For 2013, MERC reported 156 damage events, which represents a decrease of approximately 10 percent in gas line damage incidents. The vast majority of these events, 147 or 94.2 percent, were caused by parties not affiliated with the Company (*e.g.*, homeowners, other contractors).

The Company also reported 9 events where gas line damage was caused by a utility employee or contractor, which is a significant improvement over 2012 when MERC reported 32 such events. The Company reported that there were no damage events that were attributable to system issues (*e.g.*, random equipment failure) in 2013. The Department notes, however, that MERC reported that there was one Minnesota Office of Pipeline Safety (MnOPS) reportable event in 2013 caused by a system issue (see discussion in section K below). The Department requests that MERC clarify in *Reply Comments* whether this MnOPS reportable event resulted in gas line damage.

With only three years of data available, the Department is unable, at this time, to determine a typical annual number of gas line damage incidents but commends MERC for the continuing decrease in damage incidents from 2011 to 2013.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

J. SERVICE INTERRUPTIONS

In its 09-409 *Order*, the Commission required that Minnesota regulated natural gas utilities collect data regarding service interruptions. The utilities are required to separate these data into categories based on whether the event was caused by Company employees, Company contractors, or some other unplanned causes. MERC provided these data in an attachment to its Report. The Department notes that MERC has provided comparable data related to service interruptions in previous service quality reports. The number of service interruptions on MERC's system is shown in Table 3 below.

Table 3: MERC Service Interruptions

2008	2009	2010	2011	2012	2013
177	174	48	156	153	134

Based on comparisons with the (limited) historical data available, the Department concludes that the reported number of service interruptions on MERC's system over the past 6 years shows no discernible trend.

In the categorical break down of the service interruption incidents, MERC reports no change in interruptions caused by system integrity issues, from 0 in 2012 to 0 in 2013, and a small reduction in interruptions caused by other parties, from 136 to 129. Service interruptions caused by MERC employees or contractors decreased by approximately 70 percent from 17 incidents in 2012 to 5 in 2013. The Department will continue to monitor this metric for emerging trends in future service quality Reports.

The Commission's March 6 2012 Order in Docket No. G007,011/M-10-374, *et. al*. required MERC to provide the number of customers affected by a service interruption and the average duration of the interruptions beginning with its 2011 report. Through its participation in the workgroup, MERC indicated that it would calculate total outage time as beginning when the outage is reported and ending when service is restored to the last affected customer. Consequently, as part of its Report, MERC included an attachment with an item-by-item breakdown of each service interruption in 2013.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

K. MnOPS REPORTABLE EVENTS

The 09-409 *Order* also required Minnesota regulated natural gas utilities to provide summaries of all major events that are immediately reportable to the Minnesota Office of Pipeline Safety (MnOPS) and provide contemporaneous reporting of these events to both the Commission and Department when they occur. The Company began providing this information starting with its 2011 annual report, reporting 2 events, both caused by other parties and affecting 12 and 27 customers. The Company listed 9 MnOPS reportable events during 2012.

In an attachment to its Report, the Company lists 11 MnOPS reportable events during 2013. Of the 11, 1 was caused by MERC employees or contractors, 1 was caused by a system issue,[5] and 9 were caused by other parties. Of the MnOPS reportable events, 5 resulted in one customer experiencing an outage, 1 resulted in two customers experiencing an outage, 1 resulted in three customers experiencing an outage, 1 resulted in 15 customers experiencing an outage, and 1 resulted in 16 customers experiencing an outage. None of the reportable outages lasted more than 6 hours.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

L. GAS EMERGENCY RESPONSE TIME

In its 09-409 Order, the Commission required that Minnesota regulated gas utilities collect and provide data regarding gas emergency response times including a percentage of emergencies responded to within one hour and within more than one hour. In addition, the Commission required MERC to report the average number of minutes it takes to respond to an emergency. MERC provided these data in an attachment to its Report.

The Department notes that MERC provided emergency response data in service quality reports prior to the 09-409 Order. In these earlier service quality reports, the Company remarked that its internal goal is to respond to 97 percent of emergency calls in less than an hour. Through the Company's participation in the workgroup, MERC agreed to continue to provide data based on this internal gas emergency response goal.

Based on information provided by MERC, the Department notes that the Company was able to meet its internal goal in seven out of twelve months. This exhibits an improvement over 2012 when the Company was only able to meet the goal in September and also over 2010, when MERC failed to achieve the goal during any month. In June 2013, only 91.1 percent of calls were responded to in an hour or less. The Department notes that MERC received 861 emergency calls in June, which is high compared to between 389 and 657 calls in every other month of 2013. In a table footnote, MERC explained that the increase in calls in June 2013 was the result of an "odorizer malfunction due to a lightning strike." MERC responded to approximately 97 percent of calls in less than an hour in 2013, when June data is excluded.[6] This response level exceeds performance reported for 2010, 2011 and 2012.

In terms of absolute emergency response time, the Company reported an annual average response time of 29 minutes, which falls to 27 minutes when outlying June data is excluded. The 29-minute average response time reported by the Company is an increase over the average response time of 27 minutes reported for both 2011 and 2010 and a decrease from 2012. On a monthly basis, the Department notes that the average response times are

[5] This June event did cause customer service interruptions. See section I above for the Department's request for further clarification regarding this event.
[6] When November data is included the rate falls to 92.6 percent, which still falls inside the criteria established by the Commission in its 09-409 *Order*.

tightly clustered (again excluding June), with 31 minutes being the longest average response time (on one separate occasion) and 26 minutes being the shortest average response time (on 2 occasions). Given MERC's service territory characteristics (*e.g.*, large geographic footprint, low-density), it is not surprising that its average emergency response time would approach 29 minutes. That being said, the Department has reviewed four years of data regarding this metric, so it is difficult to determine whether any trends are present or whether the 29-minute average response time is indicative of normal operating conditions; therefore, the Department does not make any conclusions at this time.

M. CUSTOMER SERVICE RELATED OPERATIONS AND MAINENANCE EXPENSES

Along with the service quality data reference above, the Commission also requires Minnesota regulated natural gas utilities to report customer service related operation and maintenance (O&M) expenses related to its Federal Energy Regulatory Commission (FERC) 901 and 903 accounts. MERC provided these data in an attachment to its Report. The Department notes that the Company also provided this expense information in its 2012, 2011 and 2010 *Annual Service Quality Reports*.

In 2013, MERC reported total service quality related O&M expenses of $6,508,066, which, on an average basis, translates into approximately $542,339 of O&M expenses per month. The Company's reported O&M expenses represent a $98,738, or 1.5 percent, increase over 2012 expenses. This is a much smaller increase than the $397,545, 6.67 percent increase reported from 2010 to 2011. 2013 is only the third year that these data have been provided; therefore, it is unclear whether the increases are a part of a trend. The Department will continue to monitor this metric in future service quality reports.

Generally speaking, monthly O&M expenses in 2013 were relatively close to the monthly average with the exception of March, where the Company reports expenses of $686,615. The amount in this month is noticeably different than in other months in 2013; therefore, the Department recommends that the Company explain, in its Reply Comments, reasons associated with these costs being noticeably different than the monthly average.

The Department acknowledges that MERC has fulfilled the requirements of the 09-409 *Order.*

III. SUMMARY AND CONCLUSIONS

Based on its review of MERC's 2011 *Annual Service Quality Report*, the Department recommends that the Commission accept the Company's Report pending MERC's response to various inquiries in *Reply Comments*. The Department recommends that the Company provide the following in its *Reply Comments*:

- an updated Attachment 1 reflecting 2013 data;
- a full reconciliation and explanation of why the complaint totals reported for 2012 and 2013, in the 13-355 docket and current docket in Attachment 5, are different from the complaint totals contained in the 2013 and 2014 filings submitted by MERC pursuant to Minnesota Rule 7820.0500;
- a clarification regarding the number of complaints received in July 2013;
- an updated Attachment 6 reflecting 2013 data;
- a clarification regarding whether the MnOPS reportable event in 2013 caused by a system issue resulted in gas line damage; and
- an explanation detailing why monthly O&M expenses in March 2013 were noticeably different than the monthly average.

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